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Chapter 1: Introduction and Overview

Chapter Purpose and Objectives:

This is the first of ten chapters that comprise the *TMC Business Planning and Plans Handbook*. Chapters 11 to 15 present five case studies of existing TMCs. The Handbook has been prepared by the TMC Pooled Fund Study, and sponsored by the Federal Highway Administration for TMC and transportation agency managers to assist them with long-range business planning for TMCs. The Handbook is intended to serve as a “how to” tool by applying business planning techniques from the private sector to establish a long-range business plan for TMCs. This initial chapter provides a brief overview and introduction to the Handbook and TMC Business Planning in general.

Key Messages/Themes:

- Business Planning is an effective management tool commonly used in the private sector, and some of these principles can also be translated for use in the public sector to aid in the planning and management of TMCs.
- The core components of a TMC Business Plan include a business concept, a set of strategies, a value proposition, organization and management structure, and a financial plan.
- Developing a Business Plan for a TMC offers many advantages, but can also present many challenges for transportation agencies since it is not necessarily a common practice for public sector entities..

Key Topics and Issues to be Covered:

Chapter 1 provides a background and context for TMC business planning, including a discussion of why a TMC Business Plan is needed, the associated challenges and the key components of a business plan. This chapter also discusses the benefits of the plan development process as well as how the TMC business plan can help support TMC establishment, operations and growth. An overview of the contents of the Handbook, its intended audience, and expected impact and use are also discussed.

How This Chapter Relates to Other Chapters:

As the initial chapter of the *TMC Business Planning and Plans Handbook*, Chapter 1 sets the stage for the remaining chapters of the Handbook. Its primary intent is to touch on each of the topics that make up the Handbook and provide the reader with a general introduction to the subject matter. The subsequent chapters will expand on this introduction with more detail for the various components of the TMC Business Plan and the TMC Business Planning Process.

Remaining Sections:

- 1.1 Why do a Business Plan for a TMC?
- 1.2 Background and Context for TMC Business Planning
- 1.3 Relationship of the Business Plan to Other Plans and Processes
- 1.4 Problem Statement
- 1.5 Purpose Statement
- 1.6 Key Themes and Topics That Will Be Presented
- 1.7 Intended Audience
- 1.8 How to Use this Document
- 1.9 Remaining Chapters in this Handbook

1.1 Why Do a Business Plan for a TMC?

A TMC Business Plan is a plan for executing the long-range vision and goals of a TMC. Every agency or individual that manages a TMC has a vision of what they want their TMC to be and goals that they would like their TMC to accomplish. The Business Plan acts as the roadmap that agencies follow to first establish these goals and objectives and then ultimately achieve them. Related planning documents such as ITS Strategic Plans, ITS Architectures, Concepts of Operation, and Operations Plans provide important input into the TMC Business Plan and thus will need to be coordinated with the TMC Business Planning process.

The concept of business planning for some public agencies might seem a bit abstract. Through the course of developing this handbook, it was apparent that agencies are familiar with plans such as ITS Architectures, Concepts of Operations, and Strategic Plans. Very few develop formal ITS or TMC Business Plans, although many agencies go through some of the key processes and components of business planning as part of their agency or departmental strategic planning or annual budgeting processes.

For an agency that has never developed a TMC Business Plan before, the task of developing a Business Plan may seem daunting. Furthermore, some transportation agencies may not fully understand the benefits of such an effort. It is important for agencies to realize, however, that the effort they spend developing a business plan for their TMC may be one of the best investments they could possibly make.

One of the greatest values of the TMC Business Plan is its role in helping agencies link ITS programs to regional objectives and funding sources. This is what separates the TMC Business Plan from other agency planning processes. If properly implemented, the Plan can establish legitimacy for sustainable funding, near-term needs of the TMC as well as longer-term programs and partnerships through ongoing performance measurement and reporting of outcomes. In this way, it is a valuable tool for communicating with policy makers, partners and executives.

The Business Plan also plays a key role in outlining TMC requirements such as facility, staffing, operational, partnership, and interface requirements. By establishing a Business Concept, which serves as a description or a 'snapshot' of what the TMC does, what it is envisioned to do, the role that it plays within an agency, and the desired roles and functions that the TMC needs to serve, identifying specific operational and interface requirements is a necessary step in developing the desired 'end state' of how the TMC needs to function. In turn, this 'end state' helps to outline where the TMC currently stands relative to functionality, operations, staffing and agency interfaces, and what key

The Business Plan provides a tool for agencies to help link ITS programs to regional objectives and funding sources.

gaps need to be addressed to reach the desired level of operations for the TMC. The Plan also defines the roles and responsibilities of the various TMC partners, specific to the Business Concept and TMC goals and objectives, which is an important part of the planning process.

The TMC Business Plan is relevant to all stages of the TMC life cycle including establishing a new TMC, evolution or expansion of a TMC, sustaining operations in changing environments and re-evaluating priorities. Typically, TMC and agency managers responsible for TMC planning and operations will be the people most involved in the business planning process.

1.2 Background and Context for TMC Business Planning

This section discusses the contents of the TMC Business Plan in greater detail with a discussion of private sector business planning and a description of the core components of a TMC Business Plan.

1.2.1 Applying Business Planning Principles

While there is no one, universally accepted definition of what a business plan is, there is general consensus on what a business plan is intended to achieve. Business planning is a common practice in the private sector, primarily for a new business venture or branching out into new business focus areas for established businesses. Essentially, a business plan is aimed at:

- Defining a business objective, venture, idea, product or service, why there is a need, and what will be gained by fulfilling this need;
- Analyzing the marketplace, including need or 'niche' the product or service will fill, assessing the competition in the marketplace, identifying key challenges or risk factors that will support (or impact) success, and articulating why this product or service is better than the competition's.
- Describing what operational resources (such as technology, personnel, capital or partners) are needed to develop and manage the product or venture, and achieve the business objective or market placement;
- Outlining financial objectives and needs, financing proposals, budgets and projected incomes, and developing a sound financial plan for how the business venture, product or service should perform and profit;
- Providing a plan for how the product or service will be marketed; and
- Outlining the operations and management environment, including what kind of facilities will be needed, the organization and management structure, and roles and responsibilities of the key players and partners involved; and

Common for new business start-ups, the private sector business plan is intended to lay the foundation for a product or service development strategy, but more importantly, it is used primarily to attract investors to the proposed business or product or gain support for expanding an existing product or service.

So why should these principles be considered as part of TMC planning, and how can they be applied in the public sector?

It is important to note that there is not a linear translation from a private sector business plan to one that would be appropriate for the public sector. That is, not all elements of business plan that would be developed for a product, service, or business venture are

TMC Managers can apply private-sector business planning techniques and practices to build a case for agencies and partners to “invest” needed resources in the TMC.

necessarily applicable or even appropriate in the context of developing a business plan for a TMC. However, there are principles and methods used in business planning that TMC managers and agency executives can draw upon to develop a sound, pragmatic and comprehensive business-based approach to planning for TMCs.

Applying these business planning principles and the business planning process will help TMC managers to:

- Define the specific operational roles and functions that the TMC fulfills, or vision for what operational role it should fulfill with the right resources and systems available and in place;
- Analyze strengths, weaknesses, opportunities and threats (SWOT Analysis);
- Identify the benefits and 'payoff' expected to be achieved, including near-term and longer term scenarios, agency-specific benefits and value, as well as the benefits to the broader regional context;
- Outline the funding requirements and financial strategy;
- Develop requirements for the needed partnerships, organization and management structure, and personnel needs.

These business planning principles and the process to develop them force agencies to take a hard look at why they need to invest resources in the TMC, what the expected benefits of the investment will be, and how the objectives and investment will be achieved.

1.2.2 Core Components of a TMC Business Plan

The contents of a TMC Business Plan may vary from agency to agency but in general, there are five recommended core components to the Plan. These include:

- TMC Business Concept
- Strategies
- Value Proposition/Benefit
- Organization and Management
- Financial Plan

The TMC Business Concept outlines, at a high level, key functions and services, as well as desired functions and services of the TMC. It describes the current TMC, including technical and institutional relationships, its 'place' and role in the regional context, and objectives and goals for how the TMC needs to operate. These operational objectives and goals are based on stakeholder input as to how the TMC needs to function. Additionally, the Business Concept will reflect the key goals and functions identified for the TMC in other planning processes such as the regional ITS architecture, concepts of operations, and higher-level goals from agency strategic planning. Finally, the TMC Business Concept provides an overall vision of the TMC.

The Strategies component of the TMC Business Plan documents an overall process for achieving the vision specified in the Business Concept. More specifically, the Strategies define the actions, implementations, upgrades, enhancements, and integration activities that need to occur in order to achieve the vision and what these actions will accomplish. By mapping the current state of the TMC to desired state, strategic directions can be established. The Strategies component of the TMC Business Plan also identifies timeframes, dependencies and implementation responsibilities.

The purpose of the Value Proposition is to explain the anticipated benefits or payoff resulting from achieving the objectives proposed in the TMC Business Plan. These benefits could impact the public (such as reducing traffic congestion) or the agency (such as more efficient use of resources). It will be important that the Business Plan define these benefits well in order to 'sell' the Business Concept to key decision makers, leaders, and partner agencies.

The Organization and Management component of the Business Plan defines the roles and responsibilities of primary and partner agencies. It answers questions such as who owns, who manages, and who participates in various TMC activities. The overall organization of the TMC including personnel and staffing are clearly documented. The TMC's relationship to other agencies and the relationships within its 'owning' agency are also defined.

The Financial Plan covers all the financial aspects of the TMC. It includes a discussion of the budget for capital expenditures, as well as operations and management costs. It discusses the timeframes for expenditures, potential funding mechanisms, and provides strategies for working within agency and regional funding/programming processes. Finally, the Financial Plan outlines procurement issues, requirements and challenges.

Figure 1-1 shows these components within the context of a step-by-step process for developing the key pieces of the TMC Business Plan.

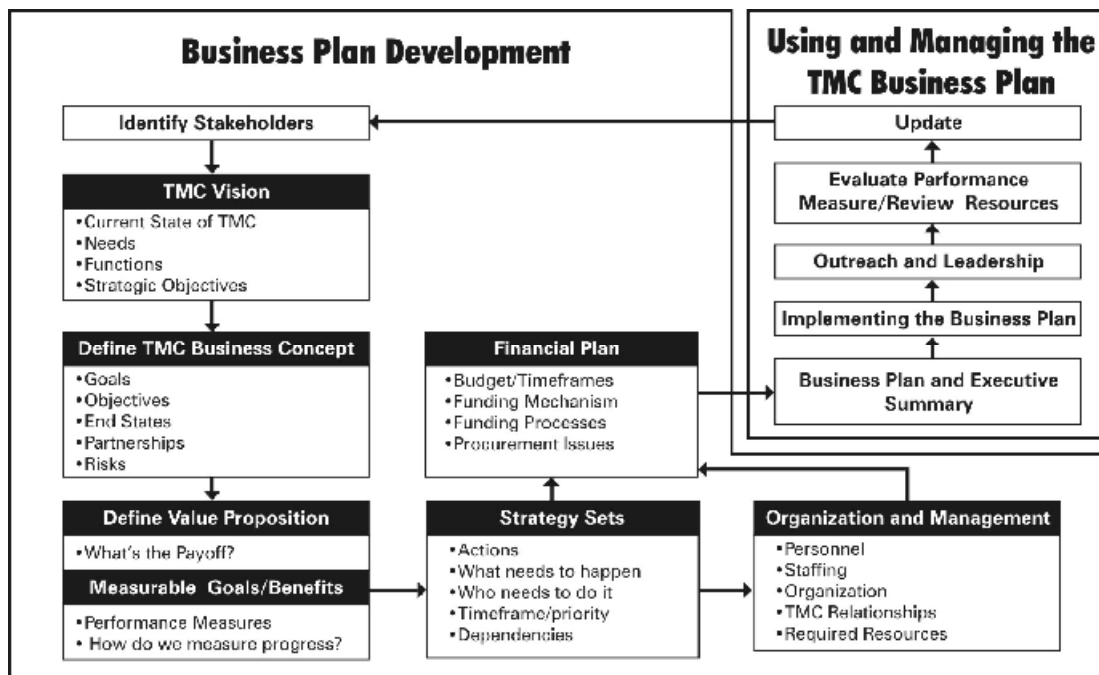


Figure 1-1: Business Plan Steps and Process

1.3 Relationship of the Business Plan to Other Plans and Processes

For many agencies, it is likely that the scope of their TMC Business Plan will overlap with the scope of other planning efforts. This is because a TMC provides a wide range of functions and involves many different stakeholders. By its nature, a TMC is a very complex entity and very broad in scope. Some of the potential planning documents or processes that are likely to contribute to or complement the TMC Business Plan include:

- Regional ITS Architecture
- Strategic Deployment Plan
- Concept of Operations
- Operations and Management Plans

The Business Plan builds on outputs from existing or concurrent plans and planning efforts, and provides a business-based context and need to support goals, objectives, responsibilities and requirements identified as part of those other processes

Figure 1-2 shows the relationships and inputs from some of these other plans and planning efforts to the Business Plan. In some cases, the TMC Business Plan may even be a subset of these documents. For instance, the Strategic Deployment Plan may have a separate chapter for TMCs that defines its requirements, stakeholders, expansion plan and operational and management issues. Alternatively, the Concept of Operations may have a section describing operations specific to the TMC such as incident management plans or procedures for coordinating with emergency personnel from the TMC. It will be important for agencies to have an understanding of the efforts already completed that could support or 'feed' a business planning process.

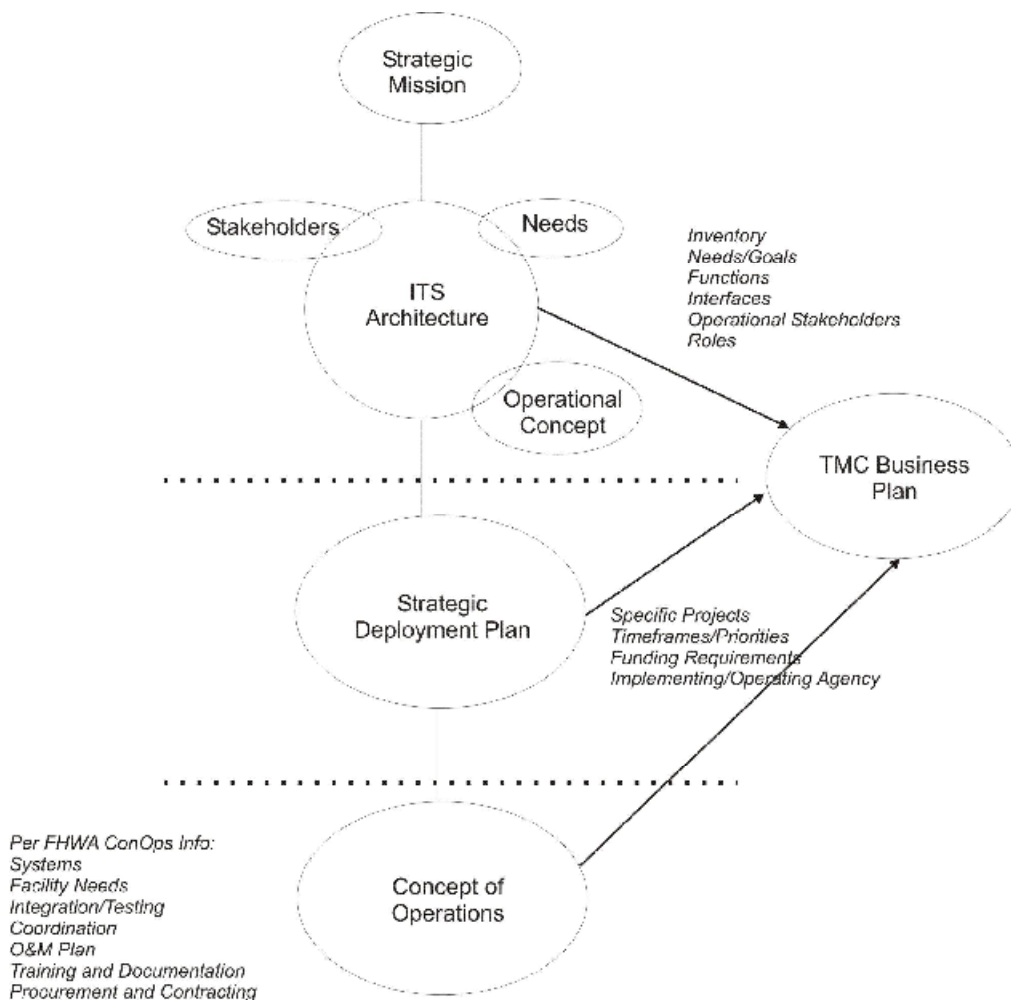


Figure 1-2: Relationship of the TMC Business Plan to other Plans and Processes

Because these planning efforts are often interrelated, it will be important for agencies to coordinate them with each other to the greatest extent possible, as well as incorporate relevant information or established goals and objectives that have previously been

developed. One of the best ways to do this is to establish a coordinated plan for updating each of the documents. For example, if the Regional ITS Architecture and Strategic Plan are scheduled to be updated every three years, then it may make sense to update the TMC Business Plan at the same time.

1.4 Problem Statement

Developing a business plan for a TMC is a relatively new, and potentially abstract, concept for most agencies in the public sector. There are a few examples presented in this Handbook but in general, TMC Business Planning as a formal and concerted effort, is relatively uncharted territory. This presents many challenges for agencies since business planning can be a complex process and there are few specific TMC Business Plans for them to refer to or learn from.

Typically, TMC needs, goals and functions are documented as a component or part of another planning process (such as the Strategic Deployment Plan or Concept of Operations). An ITS architecture takes a more detailed look at agency interfaces, functional requirements and the relationships of public and private entities in a region or state to deliver specific functions or services. These documents may be used as starting points or provide input into the TMC Business Plan but for the most part, the Plan will need to integrate existing work and develop from that point on. It is important to note that most agencies, as part of their program management tasks, often work through many of the component of a TMC Business Plan, such as assessing and developing organizational structures, identifying key strategies, and budgeting.

There are also other challenges that agencies may face with the business planning process. In this time of tight budgets, it may be difficult to plan for financial sustainability of the TMC. TMC managers will have to compete with other programs and projects for scarce resources and funding. It may also be a challenge for agencies to understand and demonstrate how the TMC fits in with broader agency business plans and business objectives. It will be important for agencies to have the right staff in place to accomplish the business planning task, and be able to 'champion' the Business Concept to key decision makers within their agency or region..

The business planning process, concepts, strategies and examples presented in this handbook are intended to support TMC managers and others as they develop an approach to business planning and their business plan, and help overcome most of these challenges.

1.5 Purpose Statement

The *TMC Business Planning and Plans Handbook* will provide TMC managers and transportation agency executives with a step-by-step guide to multi-year business planning using sound business planning techniques. It will also help managers to understand the realm of possible alternatives for structuring a TMC and the management and operational implications of these alternatives. In essence, the TMC Handbook offers a "how-to" that focuses on evolving TMC functions, concepts, processes, and strategies and presents them within a business planning context.

1.6 Key Themes and Topics That Will Be Presented

Among the key themes and topics to be presented in the *TMC Business Planning and Plans Handbook* are recommended 'best practices' for TMC business planning illustrated through case study examples of current TMC business plan elements, organizational structures, and management strategies. These case studies include various approaches to TMC business planning garnered from public agencies, as well as how private sector business models and planning processes could be applied to TMCs.

The Handbook presents organizational issues, including TMC functionality and the role of the TMC in agency or regional operations, and recommended organizational structures and resource requirements. A range of potential TMC business models and organizational approaches are presented to provide readers with a context for how business planning can benefit single-agency TMCs, regional or statewide TMCs, as well as unique partnership arrangements that help offset (and complement) the public sector's roles and responsibilities.

Also covered are methods, strategies, procedures and key steps that TMC managers can use to develop a business plan for their TMC, including recommended guidelines and techniques. The Handbook also discusses the importance of a multi-year TMC business plan to sustaining operations of TMCs, or expanding operations or functions of TMCs and supporting management systems. Finally, the Handbook introduces performance monitoring strategies that can be used to assess the effectiveness of the business plan.

1.7 Intended Audience

This Handbook was developed specifically for TMC and agency transportation managers who are responsible for any and all aspects of TMC operations, strategic planning, implementation, and coordination with other entities. It is intended to serve as a resource guide that defines what a Business Plan can do for a TMC, the importance of developing a long-range business plan, TMC Business Concept, and being able to justify funding, resources and other necessary commitments to agency and regional decision makers.

1.8 How to Use this Document

This Handbook provides TMC managers and Transportation Agency managers with key tools and strategies that they can apply to business planning development and the plan preparation process. It can be used by managers as a reference or as a guide for all aspects of the TMC business planning process including understanding the Plan, developing the Plan, and using and managing the Plan. The document also shows managers how to use the TMC Business Plan as a management tool and for obtaining buy-in and support from key decision makers for investment decisions about their TMC.

1.9 Remaining Chapters in this Handbook

This chapter is the first of ten in the *TMC Business Planning and Plans Handbook*. It is intended to provide an introduction to the business planning process and an overview of the TMC Business Plan topics that are covered in greater detail in the subsequent chapters. Chapters 11 to 15 present five case studies of existing TMCs. The content of the remaining chapters is summarized below.

- **Chapter 2, Overview of Business Planning for TMCs**, provides an overview of what TMC business planning involves and what benefits will result from developing a business plan. It includes Business Planning concepts, strategies, and how private sector business planning approaches can be applied to a TMC business plan. This chapter also introduces the components of a typical TMC Business Plan,
- **Chapter 3, TMC Business Planning Process**, introduces the reader to the processes and sequence of key steps for effective business planning for TMCs. These key steps are illustrated in a flow diagram, and are discussed in more detail in later chapters.
- **Chapter 4, TMC Business Models**, presents the different options for TMC business models, and describes the different options and factors, including geographic coverage, numbers of types of agencies involved and operational roles. Specific real-world examples of the various models at work are presented.
- **Chapter 5, Developing the TMC Business Concept**, takes a more in-depth look at the Business Concept – what it is, why it's important to the overall TMC business plan, and how to go about developing a vision, TMC strategic objectives, identify desired end states, and articulate these in a TMC Business Concept.
- **Chapter 6, Defining the Value Proposition**, provides the reader with background and context for what a value proposition is and why it's important. This chapter also outlines approaches for agencies or stakeholder groups to use to develop effective value propositions to support the Business Concept.
- **Chapter 7, Strategy Sets**, documents how goals and strategic objectives established as part of the visioning and Business Concept, as well as expected benefits defined within the Value Proposition are mapped to specific strategies, actions, and timeframes.
- **Chapter 8, Organization and Management**, provides the reader with information about the different variations of TMC organization and management structure, and addresses how the considerations, such as functions, partnerships, geographic area, and other features affect organizational approach and how these considerations have been handled by other TMCs.
- **Chapter 9, Financial Plan**, discusses challenges associated with financial planning for TMCs, including how to justify TMC needs vs. other competing priorities within a region. Includes examples of how to document funding needs, timelines, potential sources, etc., and how to tie the financial plan with the strategies, actions, timeframes and responsibilities that have been previously developed, the TMC Business Concept and the Value Proposition.
- **Chapter 10, Using and Managing the TMC Business Plan**, provides 'next steps' and guidance for agencies in how to make the TMC Business Plan an important tool for continued TMC operations and expansion, as well as use the TMC Business Plan to help sell the Business Concept and Value Proposition to key decision makers, and garner their support. This chapter also discusses the importance of treating the TMC Business Plan as a living document that needs to be periodically reviewed and updated based on changing priorities or new functional capabilities.
- **Chapter 11 – 15, TMC Case Studies**